House of Representatives

General Assembly

File No. 191

February Session, 2008

Substitute House Bill No. 5516

House of Representatives, March 26, 2008

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT REDUCING THE INSURANCE PREMIUM TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 12-202 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2008, and applicable to income years commencing on or after January 1, 2008*):

Each domestic insurance company shall, annually, pay a tax on the total net direct premiums received by such company during the calendar year next preceding from policies written on property or risks located or resident in this state. The rate of tax on all net direct insurance premiums received on and after January 1, 1995, shall be one and three-quarters per cent, except that the rate of tax on all net direct insurance premiums received on or after January 1, 2008, but prior to January 1, 2009, shall be one and one-quarter per cent, for net direct insurance premiums received on or after January 1, 2009, but prior to January 1, 2010, shall be one per cent, and for net direct insurance premiums received on or after January 1, 2010, shall be one-half of one per cent. The franchise tax imposed under this section on premium income for the privilege of doing business in the state is in addition to the tax imposed under chapter 208. In the case of any local domestic insurance company the admitted assets of which as of the end of an income year do not exceed ninety-five million dollars, eighty per cent of the tax paid by such company under chapter 208 during such income year reduced by any refunds of taxes paid by such company and granted under said chapter within such income year and eighty per cent of the assessment paid by such company under section 38a-48 during such income year shall be allowed as a credit in the determination of the tax under this chapter payable with respect to total net direct premiums received during such income year, provided that these two credits shall not reduce the tax under this chapter to less than zero, and provided further in the case of a local domestic insurance company which is a member of an insurance holding company system, as defined in section 38a-129, these credits shall apply if the total admitted assets of the local domestic insurance company and its affiliates, as defined in said section, do not exceed two hundred fifty million dollars or, in the alternative, in the case of a local domestic insurance company which is a member of an insurance holding company system, as defined in section 38a-129, these credits shall apply only if total direct written premiums are derived from policies issued or delivered in Connecticut, on risk located in Connecticut and, as of the end of the income year the company and its affiliates have admitted assets minus unpaid losses and loss adjustment expenses that are also discounted for federal and state tax purposes and which for said local domestic insurance company and its affiliates, as defined in said section do not exceed two hundred fifty million dollars.

Sec. 2. Subsection (a) of section 12-202a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2008, and applicable to income years commencing on or after January 1, 2008*):

(a) Each health care center, as defined in section 38a-175, that is governed by sections 38a-175 to 38a-192, inclusive, shall pay a tax to the Commissioner of Revenue Services for the calendar year commencing on January 1, 1995, and annually thereafter, at the rate of one and three-quarters per cent of the total net direct subscriber charges received by such health care center during each such calendar year on any new or renewal contract or policy approved by the Insurance Commissioner under section 38a-183, except that the rate of tax on the total net direct subscriber charges received on or after January 1, 2008, but prior to January 1, 2009, shall be one and one-quarter per cent, for net direct subscriber charges received on or after January 1, 2009, but prior to January 1, 2010, shall be one per cent, and for net direct subscriber charges received on or after January 1, 2010, shall be one-half of one per cent. Such payment shall be in addition to any other payment required under section 38a-48.

Sec. 3. Subsection (b) of section 12-210 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2008, and applicable to income years commencing on or after January 1, 2008*):

(b) Each insurance company incorporated by or organized under the laws of any other state or foreign government and doing business in this state shall, annually, on and after January 1, 1995, pay to said Commissioner of Revenue Services, in addition to any other taxes imposed on such company or its agents, a tax of one and three-quarters per cent of all net direct premiums received by such company in the calendar year next preceding from policies written on property or risks located or resident in this state, excluding premiums for ocean marine insurance, [and, upon] except that the rate of tax on all such net direct premiums received on or after January 1, 2008, but prior to January 1, 2009, shall be one and one-quarter per cent, for net direct premiums received on or after January 1, 2009, but prior to January 1, 2010, shall be one per cent, and for net direct premiums received on or after January 1, 2010, shall be one-half of one per cent. Upon ceasing to transact new business in this state, each such insurance company shall continue to pay a tax upon the renewal premiums derived from its business remaining in force in this state at the rate [which] that was applicable when such company ceased to transact new business in this state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2008, and applicable to income years commencing on or after January 1, 2008*	12-202
Sec. 2	*July 1, 2008, and applicable to income years commencing on or after January 1, 2008*	12-202a(a)
Sec. 3	*July 1, 2008, and applicable to income years commencing on or after January 1, 2008*	12-210(b)

Statement of Legislative Commissioners:
Technical changes were made for consistency.

INS *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 09 $	FY 10 $
Department of Revenue Services	GF - Revenue Loss	88 million	145.2 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The table below presents the expected General Fund revenue loss as a result of reducing the Insurance Premiums Tax:

Fiscal Year	Revenue Loss (in millions)
2008	$39.7
2009	$88.0
2010	$145.2
2011	$176.4

Currently, the tax rate is 1.75%. The bill continues that rate for amounts collected in 2007 but reduces it to 1.25% for 2008, 1.0% for 2009, and 0.5% for 2010 and after.

The Out Years

The annualized ongoing fiscal impact indicated above for FY 11 would continue into the future subject to inflation.

OLR Bill Analysis
sHB 5516

AN ACT REDUCING THE INSURANCE PREMIUM TAX.

SUMMARY:

This bill reduces the tax on total net direct insurance premiums and HMO subscriber charges collected during the preceding calendar year from policies and contracts written on property or risks in Connecticut.

Currently, the tax rate is 1.75%. The bill continues that rate for amounts collected in 2007 but reduces it to 1.25% for 2008, 1.0% for 2009, and 0.5% for 2010 and after.

EFFECTIVE DATE: July 1, 2008 and applicable to income years beginning on or after January 1, 2008.

BACKGROUND

HMO Tax Exemption

There are numerous exemptions from the tax on HMO subscriber charges, including contracts covering state employees; Medicare and Medicaid recipients; retired teachers; individuals eligible for a health coverage tax credit; and municipal employees and retirees, nonprofit employees, and community action agency employees covered through MEHIP, which is a group health insurance program the Office of the Comptroller sponsors for municipal employees and others as provided for in law (CGS § 12-202a(b)).

Related Bill

The Insurance and Real Estate Committee reported out SB 475, which exempts all new and renewed health insurance plans sold to municipalities on or after July 1, 2008 from the premium tax.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable
Yea 18 Nay 0 (03/06/2008)